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SUBJECT: DAILY SUMMARY OF JAPANESE PRESS 12/18/07

Index:

- (1) Prime minister's statement accelerates mistrust: Government frantic about expressing apology in wake of sharp drop in public support ratings of cabinet (Tokyo Shimbun)
- (2) Prime minister faces storm of criticism due to his campaign pledge comment on pension records; Highly alarmed at plunging cabinet support rate, Fukuda apologizes for LDP fliers causing misunderstanding (Nikkei)
- (3) CO2 reduction indexes to be set according to type of business: Environment Ministry considering amending related law; Names of unscrupulous companies to be revealed (Asahi)
- (4) Materials manufacturers to mass-produce high-function materials in China (Nikkei)
- (5) TOP HEADLINES
- (6) EDITORIALS
- (7) Prime Minister's schedule, December 17 (Nikkei)

ARTICLES:

- (1) Prime minister's statement accelerates mistrust: Government frantic about expressing apology in wake of sharp drop in public support ratings of cabinet

The issue of unidentified holders of 50 million public pension accounts caused by erroneous data input has once again hit the administration. The major cause is that the Fukuda government has for all practical purposes reneged on former Prime Minister Shinzo Abe's Upper House campaign pledge to totally settle the issue. Abe underscored his determination to identify the missing accounts to the very last person. Public support ratings of the cabinet have plummeted due to the attitude of the present government, which has continued to make excuses, saying, "This is not a case of a breach of a public pledge." Since Prime Minister Yasuo Fukuda's careless remark could be taken as defiance, it has incurred the public's anger.

The government and the ruling parties are frantically making excuses, noting that though it had pledged to complete the cross-checking of unattributed 50 million pension accounts by the end of March, it never said that it would identify the holders of all pension accounts.

It is true that in the part on the cross-checking procedure, the agreement reached between the government and the ruling parties on July 5 simply mentions that it would be implemented by the March 2008 target time.

However, the Liberal Democratic Party's (LDP) during the Upper House election campaign actually took an approach that was largely different from the agreement. The flyer it prepared for the election includes the words "Identification of all pension accounts will be completed," which can be taken as identifying holders of all of

TOKYO 00005598 002 OF 008

unidentified 50 million pension accounts that have yet to be unified under basic pension numbers. For that reason, Chief Cabinet Secretary's excuse that the "LDP simplified the matter for the

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election campaign" is seen as unacceptable. The government cannot avoid being labeled as having broken its commitment.

It also has been extremely difficult to identify holders of about 9.45 million pension holders among the 50 million accounts. "Paying benefits to the last holder," the major premise of the agreement between the government and the ruling camp, is beginning to fall apart. The government came under fire as having violated its commitment in this regard, too, which consequently compounded mistrust in politics.

In addition, as if further confirmation is needed, the prime minister made that statement, making the public mistrust complete. Commenting on the election pledge, the prime minister noted, "In the sense that the election pledge has caused misunderstanding, I feel the person who explained the matter is also responsible." The statement indicates his real feeling that why he should be forced to take the previous Age administration's responsibility.

However, given the sharp slip in support ratings of his cabinet, the prime minister yesterday offered an apology: "It is true that there were words that could cause misunderstanding (in the election pledge). I must apologize for that."

Machimura during a press conference also acknowledged a lack of explanations regarding the LDP's election pledge. He noted in a serious manner, "We must humbly listen to the voices of the public and respond to them properly."

However, the domino effect of mistrust in politics is once again beginning to undermine the administration.

(2) Prime minister faces storm of criticism due to his campaign pledge comment on pension records; Highly alarmed at plunging cabinet support rate, Fukuda apologizes for LDP fliers causing misunderstanding

The Fukuda administration now finds itself facing a growing storm of criticism over its response to the issue of some 50 million unidentified public pension accounts that have yet to be integrated into basic policy numbers. During the July House of Councillors election campaign, the Liberal Democratic Party disseminated fliers saying that the government would complete integrating the 50 million accounts into basic policy numbers. Prime Minister Yasuo Fukuda apologized for the fliers "causing misunderstanding." To defuse criticism, the government intends to steadily implement its policy, announced on July 5. The government's response is drawing fire even from within the ruling parties.

"I think it's because of the pension problem and the like. The government must take solid steps, while humbly lending an ear to the voices of the people." Chief Cabinet Secretary Nobutaka Machimura in a press conference yesterday admitted that the cabinet's plummeting support rate, as seen in Nikkei's latest opinion poll that showed a 12-point plunge to 43 PERCENT from the previous poll, was partly attributable to the government's inadequate response to the pension

TOKYO 00005598 003 OF 008

issue.

Machimura also apologized, saying, "If the government's explanation misled people, we must apologize for the insufficient explanation." Prime Minister Fukuda, too, said to the press corps: "It was a fact that the LDP fliers contained a misleading expression, and I must apologize for it."

The apology was simply for causing "misunderstanding" over the government's response to the pension issue. (Machimura and Fukuda) did not acknowledge that the government broke its public pledge. Machimura explicitly said: "Work has been proceeding (in line with the government policy, released on July 5). Nothing has been done out of the line of it." Machimura thus pointed to the government's posture of implementing its July policy, defining it as a de facto "public pledge."

The government's July policy says that it will complete cross-checking the 50 million pension records by the end of March 2008. It does not say, however, that the government will identify the holders of all the 50 million accounts. If that is also the Fukuda administration's public pledge, even if holders of some accounts are not identified through cross-checking, that would not constitute breaking the public pledge.

But during the Upper House election campaign, then Prime Minister Shinzo Abe promised that the government would pay out pension benefits to the last person, going a step further than the government policy. About Abe's promise, Machimura explained: "The 50 million accounts include those to whom the government was aware in the first place that it cannot (pay benefits)." It is a fact, however, that there is a gap in views with the public. To what extent the government can obtain public understanding remains is unknown.

Even ruling party members are criticizing Prime Minister Fukuda who said about the slow-moving identification work, "Is it so serious as to be called breaking a promise to the public," and Machimura.

LDP Secretary General Bunmei Ibuki in yesterday's executive meeting with the government said in a firm tone: "The pension issue is a matter of great concern to the public, and we must deal with it sincerely and carefully." New Komeito Diet Affairs Committee Chairman Yoshio Urushibara also complained to the press, saying: "Comments by the prime minister and other cabinet ministers seem to be out of line with the people's perspective."

Checking pension records each holder's responsibility

The Social Insurance Agency (SIA) began yesterday mailing documents on pension records to those who are believed to be the holders of

unidentified pension accounts. The documents are designed to notify the policy holders of the existence of un-integrated pension records. Each holder is responsible to check the records to find if there are any flaws in them. In other words, resolving the problem of unidentified pension accounts is based on the responsibility of each policy holder. There is a long way go before restoring public trust in the national pension program.

The SIA plans to send by the end of March 2008 documents on pension records to a total of 10 million people who are believed to be the holders of unidentified pension accounts.

TOKYO 00005598 004 OF 008

Those pensioners who received the documents and found that their pension benefits might increase must report to their respective SIA offices to verify their records. Those who are not receiving benefits must mark down any mistakes on the records and send them back to the SIA.

All policy holders and pensioners other than the holders of unidentified accounts will receive records from the SIA by October next year.

Whether this approach can completely settle the pension record problem remains to be seen.

Of the 50 million accounts, the SIA has yet to identify the holders of 20 million accounts. The country's pension system has many problems such as unpaid pension premiums. Revamping the national pension system is expected to remain as a major political challenge in the years to come.

(3) CO2 reduction indexes to be set according to type of business: Environment Ministry considering amending related law; Names of unscrupulous companies to be revealed

ASAHI (Top Play) (Full)
December 18, 2007

The Environment Ministry is now considering amending the Law Concerning the Promotion of Measures to Cope with Global Warming as a drastic measure to cut greenhouse gas emissions, such as carbon dioxide (CO2). The details of the draft bill were revealed yesterday. The draft notes that entities subject to the reporting of the amount of emissions would be increased and guidelines for reductions in emissions would be set, according to the type of business. The names of companies whose efforts are markedly poor would be revealed. The ministry will aim at presenting the bill to the regular Diet session next year. However, since the proposals would lead to strengthening regulations on corporate activities, business circles and the Ministry of Economy, Trade and Industry (METI) are expected to oppose the proposal. Coordination of views could bog down.

Japan's emissions of greenhouse gasses in fiscal 2006 increased 6.4 PERCENT from the level of the base year of fiscal 1990, according to preliminary figures. As such, Japan finds it difficult to meet the target of cutting emissions of such gases by 6 PERCENT, compared with the 1990 level (average figure to be achieved between 2008 and 2012) as mandated under the Kyoto Protocol. The amendment aims at strengthening measures targeting the services sector, such as offices, whose emissions of greenhouse gasses have shown a pronounced increase of 41.7 PERCENT, compared with the 1990 level.

The present law obligates each business establishment, such as a factory whose size exceeds a certain set scale, to report the amount of its emissions. Under the draft, one entire company and franchises instead would be required to report such an amount. If the size of one entire company exceeds a certain set size, it would be able to report the amount of emissions covering all of its small-scale factories and branch offices or outlets in the case of convenience store chains. The Environment Ministry estimates that entities subject to the new regulation in the services sector would increase about 10 PERCENT to about 50 PERCENT from the present number.

According to the guidelines, the environment minister would set indexes and measures, such as the amount of emissions allowed in certain set economic activities, to be observed by each industry sector. Businesses whose emissions of greenhouse gasses tend to increase at a pace higher than a set level would be obligated to observe the index. Those that responded to the order extremely insufficiently would be advised to constrain emissions. If they fail to follow the recommendation, their names would be revealed. Business circles will likely express concern that such measures would lead to setting an emissions framework for each company. The ministry would also consider mandating equipping government offices and condominiums to be newly built, if their size exceeds a certain set scale, with power generation facilities using recyclable energy, such as solar light.

A mechanism of acknowledging not only emission quotas (credit) obtained by implementing measures to cut greenhouse gas emissions overseas but also implementation of reductions in emissions by domestic small- and medium-size businesses as reductions attained would also be established.

The guidelines would also set the responsibility of the people and employers in concrete terms. The people would be urged to choose goods that emit less greenhouse gasses. Employers would be asked to provide appropriate information, such as explanations on their products.

(4) Materials manufacturers to mass-produce high-function materials in China

NIKKEI (Top Play) (Full)
December 17, 2007

Basic materials manufacturers have decided to produce high-function materials in China. Mitsui Chemical Inc. and Mitsubishi Gas Chemical Co. will build plants in China for high-function resins used in automobiles and electronic appliances sometime between 2010 and 2012. Asahi Glass Co. has already started mass-producing energy-saving glass. Materials that are superior in terms of strength and other performance are in high demand in the Chinese market for basic materials - the second largest after the United States'. Such companies have so far imported commodity-grade products from Japan. With Japanese companies' decision to start local production, their strategy toward China will enter a new phase.

China's demand for petrochemicals accounts for 16 PERCENT of global demand, second after the US. In 2006, Japanese chemical manufacturers shipped 16 PERCENT of their domestic products to China, but much of them were commodity-grade products, such as polyethylene. The companies now aim to advance into the Chinese market with value-added and profitable high-functional products.

Mitsubishi Gas Chemical plans to construct a polycarbonate (PC) plant in Shanghai in 2010 at a cost of 30 million yen. The plant will initially output 80,000 tons a year and supply products to local auto and electronic appliance plants. The company intends to increase the production volume to 200,000 tones in the future. Excellent in thermal resistance and transparency, PCs are used in such products as automotive lights, DVD substrates, and the bodies of electronic devices. The company, the world's third largest PC

TOKYO 00005598 006 OF 008

producer, aims to use its first plant in China to raise its market share.

Mitsui Chemicals has decided to construct a plant for phenols - a basic material for PCs - in Shanghai, investing more than 30 billion yen. The plant will be on line in 2012 and will have an annual output capacity of 300,000 tons. The company has already plants for PC materials in Japan and Singapore, enjoying the second largest share in the global market.

In China, the market for consumer goods with high quality and performance is expanding, reflecting an increase in the number of high income-earners. Accordingly, since demand for high-functional resins is also sharply increasing, the Chinese market is becoming more attractive for Japanese chemical manufacturers.

On the strength of their technological prowess, Japanese companies have decided to build plants for high-function products in China, based on the anticipation that these investments will have few risks because of minimal competition with Chinese firms and expected steady demand.

In other industries than chemicals, Asahi Glass Co. has started producing energy-saving glass at its plant in Dalian. By coating a specific metal film on glass, insulation effect will be increased, resulting in bringing down households' air conditioning and heating expenses. Its price is about three times higher than commodity-grade products, but given the expanding wealthy class and growing awareness among the public of the need to protect the environment, demand for the product is likely to boost. Among the leading Japanese glassmakers, Asahi Glass is the first company that has started production in China.

Oji Paper Co. also plans to output high-class printing paper in Nantong in 2010 as the first paper manufacturer to invest in China.

In China, demand for basic materials for automobiles and electronic appliances has skyrocketed over the past several years. Japanese materials manufacturers aim to tap the Chinese market for high-function materials ahead of American and European companies as part of efforts to strengthening their international competitiveness.

(5) TOP HEADLINES

Asahi:
Environment Ministry drafts industry-specific yardsticks for curbing CO2 emissions

Mainichi:
Support rate for Fukuda Cabinet drops 13 points to 33 PERCENT

Yomiuri:
Former Vice-Defense Minister Moriya to be rearrested today

Nikkei:
METI eyes beefing up support for small businesses via credit guarantee association

Sankei:
Work in final stage to determine whether to approve school textbook publishers' requests for correcting references to Okinawa mass

TOKYO 00005598 007 OF 008

suicide

Tokyo Shimbun:
Record 6,130 residents file Atsugi base noise pollution lawsuit seeking 4.6 billion yen in compensation

Akahata:
JCP seeks revision of Worker Dispatch Law aimed at equal treatment to workers

(6) EDITORIALS

Asahi:
(1) Fukuda administration: Honeymoon-like period is over
(2) Correction of tax revenues: Ruling party proposal is missing the point

Mainichi:
(1) Sharp plunge in public support rating for Fukuda administration could indicate change in trend
(2) Documents on pension records sent: Social Insurance Agency

should not jump to a conclusion that this will settle the issue

Yomiuri:

- (1) Sympathy budget: Confidence in Japan-US alliance has been maintained
- (2) Recycling home electronics: Remove malicious business to improve recovery rate appliances:

Nikkei:

- (1) Confiscation of fiscal resources will undermine autonomy of health insurance association
- (2) Authorized possession of guns must not be left uncontrolled

Sankei:

- (1) Prime minister's remarks: Consider again that they carry a special weight
- (2) Court decision on Mitsubishi Motors: Company should improve its proclivity of hiding inconvenient facts

Tokyo Shimbun:

- (1) Documents on public pension records sent: We should make sure we notify if errors are found
- (2) Lawsuit on death by overwork: We call for revision of labor control

Akahata:

- (1) Padded bills for weapons: Defense Ministry should correct its stance of giving in to military industry

- (7) Prime Minister's schedule, December 17

NIKKEI (Page 2) (Full)
December 18, 2007

08:22

Met at the Kantei with Environment Minister Kamoshita and Vice Environment Minister Tamura.

08:41

Attended a meeting of cabinet ministers responsible for a livelihood-protection project. Then, attended a meeting on reforming

TOKYO 00005598 008 OF 008

the Defense Ministry. Later, met State Minister for People's Life Kishida, with Vice Minister Uchida of the Cabinet Office.

09:54

Met Economic and Fiscal Policy Minister Ota and others.

11:00

Gives awards to the gold medalists in the Skill Olympics International Convention.

12:16

Arrived at his official residence.

12:58

Attended a funeral service for former Management and Coordination Agency Director General Takami Eto at the Aoyama Funeral Hall.

14:55

Met at the Kantei with Finance Minister Nukaga, Vice Finance Minister Tsuda, and others. Followed by Internal Affairs Minister Masuda and Decentralization Promotion Committee Chairman Uichiro Niwa.

16:06

Met National Police Agency Director General Yoshimura. Followed by Vice Foreign Minister Yachi.

17:01

Attended a party executive meeting in the Diet building.

17:23

Met Administrative Reform Minister Watanabe and Chief Cabinet Secretary Machimura at the Kantei.

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18:04

Met Abu Dhabi Crown Prince Mohammed, with Nukaga and Economy, Trade and Industry Minister Amari. Then attended a ceremony to sign a joint statement. Later, hosted a dinner party for the crown prince.

21:25

Returned to his private residence in Nozawa.

SCHIEFFER